

Low cost innovative financing solutions for the public sector





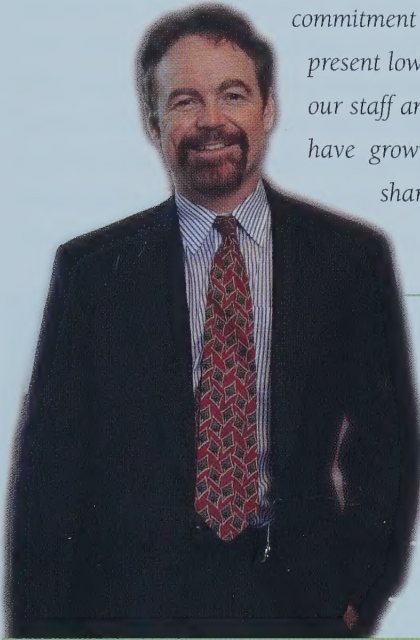
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Photos left to right
 Barbara Hale, *Vice-President and General Counsel*, Terrence Bedard, *Director*,
 Al Mikalachki, *Director*, John Asma, *Vice-President and Treasurer* and
 David Bratton, *Director*

President's message



A number of years ago, we charted a new course for Pacific & Western Credit Corp. and I made a commitment to you, my fellow shareholders, that this course would yield attractive returns and present lower risk. I am pleased to tell you that thanks to the tremendous effort of our Board, our staff and our many allies, the confidence you placed in us has been justified. Our assets have grown at an unprecedented 50% compounded average growth rate and our common shares have increased in value by almost thirteen times since we initiated the new course in 1993.

"We provide innovative, low cost financing solutions for Canada's public sector."

Some history

You may recall that in the early 1990s, many of Canada's small financial institutions were in trouble. The economy had taken its toll on their portfolios and loan losses and high overheads were eroding their profits and capital. It was also a time when the benefits of a new technology, the personal computer (PC), were starting to be realized. We had a vision of a new kind of financial institution that could take advantage of this new technology and turn what had been a handicap for small financial institutions in the past, i.e., lack of productivity, into an advantage. We would develop our software on PCs rather than on expensive mainframes and utilize existing distribution channels to distribute our products rather than building expensive branch networks. This would be a branchless financial institution that would achieve productivity levels never seen before in the industry. With high productivity, we could lend to low risk markets and grow rapidly without loan losses. With high productivity,

we could pay attractive rates on our deposits and have sufficient cash flow to fund our loans. To make this vision a reality, a group of investors and I acquired a controlling interest in Pacific & Western.

Continuous improvement

As productivity is the key to our success, we believe it imperative to continuously improve our processes. Last year we began the complete rewriting of our deposit processing software. We expect this new software will be functional this year and will bring our productivity in this area to a new level. This year we are also rewriting our asset administration software to ensure that efficiency in this area is also second to none. High productivity is the key to allowing us to compete in low risk public sector markets.

Growth

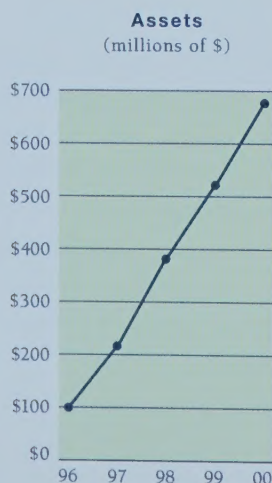
In 1993, we had \$25 million in assets and a market capitalization of \$500,000. Today we have over \$700 million in assets, a market capitalization of over \$70 million, and our common share value has increased by almost thirteen times. Last year we continued to expand our deposit base, by obtaining full trust licences in the Yukon, Nunavut, Prince Edward Island, Ontario and Nova Scotia. We have also diversified our distribution channels to include large brokers, such as ScotiaMcLeod and CIBC World Markets. We provide loans and leases to public sector entities throughout Canada and are recognized as a leading financier in this market.



Yorkton Catholic and Public School, Yorkton, Saskatchewan

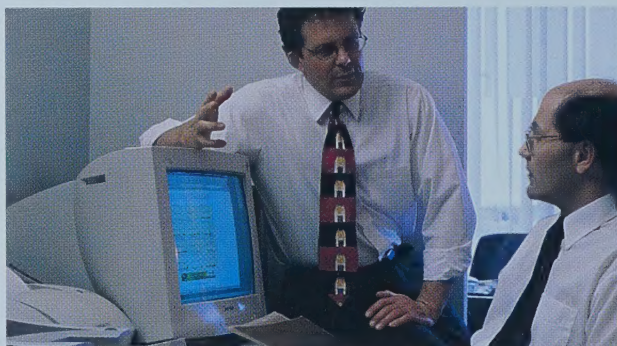
Adding value

We believe that by providing innovative, economical financing solutions to our public sector clients they can serve their communities better. This means more hospitals, health care centres, day care centres, water pipelines, hydro lines and affordable housing for Canadians.



Focus

Because we are focusing our growth in low risk public sector markets, we have been able to rapidly grow our loan portfolio without taking the customary losses that have plagued other financial institutions that grew rapidly. We identify and pursue our clients in niche markets that are often not well served by the larger financial institutions. A perfect example of this is Canada's Arctic, where we have financed numerous government buildings, health care centres and schools. We only deal in markets where our staff has a deep understanding of the economic factors affecting it. Our staff gets to know their clients' businesses intimately so that we can tailor the terms and conditions



Jonathan Taylor and Calvin Barnes

of their financings to meet their unique requirements. We deliver loans and provide innovative, better solutions on time, priced right.

Confirmation that the strategy is working

Although productivity is not an end in itself but a means to reach our goal of maximizing shareholder value, our productivity measured in assets to full-time employee of \$22 million and fixed costs to assets of 0.72%, is more than three times better than the industry. Our compounded average growth rate of assets since inception of the new strategy is an unprecedented 50%. We are one of Canada's fastest growing financial institutions and we have managed to do this without any significant loan losses. Last year the Globe and Mail reported our company as being amongst the top ten Canadian companies for return to shareholders over the last five years.

PacWest Ventures Ltd.

We formed PacWest Ventures Ltd. in 1997 to provide needed capital for home builders in the Southwestern Ontario area. This is a small niche market located within a 100 mile radius of London, Ontario. Our staff has been successfully lending in this market for many years and we are confident that our investment of \$8 million in PacWest will earn it an attractive rate of return. During 2000, very few of PacWest's projects matured and we only earned \$652,000 (TEB), versus \$2.3 million (TEB) earned in 1999. This served to reduce our non-interest income substantially, which resulted in a reduction in net earnings from \$4.7 million achieved in 1999 to \$3.0 million



David Freure, Bruce Schruder, Gary Treusch

achieved in 2000. While we would rather see our income earned more uniformly, this is a characteristic of a relatively new venture capital company. We expect income to be earned more evenly in the future as PacWest's investments mature and they are reinvested in a more spread out fashion.

Looking forward

I see Pacific & Western as ideally suited for the new economy. We are utilizing new technologies to make an old business better. Improvements in communications

and transportation technology have allowed us access to remote parts of Canada that would otherwise be very difficult to deal in. Improvements in PC technology have allowed us to continuously improve processing costs and reduce our overheads. Consolidation in the banking industry has uncovered niche markets in which a small, nimble company like Pacific & Western can prosper. Looking forward, I see Canada dominated by a few megabanks serving the masses and a small number of boutique lenders, like Pacific & Western, serving unique niches, with nothing viable in between. In this environment, Pacific & Western should continue to grow at a rapid pace and prosper.

“We are using
new technologies to make an
old business better.”

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Summary

Thanks to the tremendous effort of our team of employees, directors, and allies, our company continued to gather momentum throughout 2000. Key accomplishments, such as gaining the ability to gather deposits in five additional provinces and territories, including Ontario, and launching our daily interest savings account are already having a positive impact on our spread and profits. Our company is steadily gaining value and I am confident that our share price will reflect this going forward.

A handwritten signature in black ink that reads 'D. R. Taylor'.

David R. Taylor
President & Chief Executive Officer

Chairman's report

Over the last seven years much has been accomplished:

- *In July, 1998, selected as the number one Dream Investment in Canada for 1997*
- *In July, 2000, selected as one of the top ten performing stocks in Canada over the previous five years*
- *Asset growth of 28 times from \$25 million to \$700 million*
- *Market capitalization growth of 140 times from \$500,000 to over \$70 million.*

“Our committment is not to be the biggest but the best.”



I am convinced that the board and management have the vision and the ability to execute over the next seven years to continue to increase significantly market capitalization and shareholder value.

While much was accomplished over the last seven years, your Company is now poised to take its rightful place as a significant financier in niche market areas in Canada. While the results of the past have been commendable, the greatest accomplishment has been the development for the future. Every aspect of the business has been strengthened and improved. The deposit gathering base has been expanded both geographically and to include large brokerages. The technology utilized in processing the business transactions is in the final stages of a significant upgrade while the diversity and quality of our borrowers has improved.

Our vision is to meet our customers' financing needs by helping them structure their financial transactions in the most advantageous way. Pacific & Western wants to be recognized as a leading Canadian company and the best provider of financing products in its niche markets.

Peter R. Lockyer
Chairman of the Board

Financial highlights

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INVESTMENT INCOME					
Loan interest	\$25,841	\$18,546	\$13,900	\$7,480	\$5,095
Securities (TEB)	18,285	11,159	5,752	3,716	1,668
Loan fees	1,000	868	1,196	706	267
Total	45,126	30,573	20,848	11,902	7,030
Yield on assets	7.31%	6.65%	6.92%	7.24%	8.57%
Interest expense	35,607	22,635	14,655	8,338	4,809
Cost of funds	5.77%	4.92%	4.87%	5.07%	5.86%
Net investment income (TEB)	9,519	7,938	6,193	3,564	2,221
Spread	1.54%	1.73%	2.05%	2.17%	2.71%
Provisions for losses	346	321	401	301	194
Other income (TEB)	1,185	4,255	3,213	0	0
Total revenue (TEB)	10,358	11,872	9,005	3,263	2,027
Non-interest expenses					
Salaries and benefits	2,167	1,709	1,331	974	799
General and administrative	1,866	1,852	1,324	808	486
Premises and equipment	408	353	289	281	274
Total	4,441	3,914	2,944	2,063	1,559
Net earnings	3,040	4,718	3,988	1,204	468
BALANCE SHEET ITEMS					
Assets:					
Cash and securities	284,934	208,856	157,280	82,955	36,636
Public sector financing	153,495	124,030	78,534	36,746	16,384
Mortgages and loans	228,349	198,162	127,259	105,357	44,009
Other assets	19,175	12,900	10,067	4,697	1,782
Total	685,953	543,948	373,140	229,755	98,811
Average assets	614,951	458,544	301,448	164,283	82,073
Liabilities:					
Deposits	629,002	488,919	313,998	210,599	90,080
Other liabilities	2,901	3,520	12,020	2,720	3,182
Notes payable	22,686	22,689	22,691	1,930	1,950
Total	654,589	515,128	348,709	215,249	95,212
Shareholders' equity	31,364	28,820	24,431	14,506	3,599
Total	\$685,953	\$543,948	\$373,140	\$229,755	\$98,811

* TEB - Tax Equivalent Basis

From left to right: Rick Jankura, *Pacific & Western Credit Corp.*, Anne Marie DeCicco, *Mayor of London*, David Taylor, *Pacific & Western Credit Corp.*, Jim King, *Ellis-Don Construction Ltd.* and Greg Thompson, *Pacific & Western Credit Corp.*

London Entertainment and Sports Centre

Pacific & Western has agreed to provide \$7.5 million of senior debt financing for the City of London's new downtown entertainment centre and arena. The City's private sector partners in this \$41.7 million public private partnership are Ellis-Don Construction, Stadium Consultants International, and Global Spectrum.



“Creating value

for our clients, ultimately creates value for our shareholders.”

Whitehills Childcare Association

An additional 32 early childhood educational spaces were created with the opening in August 2000 of a new facility for Whitehills Childcare Association with funding provided by Pacific & Western. This unique centre in London, Ontario is part of an existing elementary school, and involved the cooperation of the regional public school board.

From left to right: Diane Gordon, *Executive Director, Whitehills Childcare Association* and Greg Thompson, *Pacific & Western Credit Corp.*





New Tecumseth Improvement Society

Reliance on wells for the central Ontario Town of New Tecumseth was relieved with this new 57 km fresh water line to Georgian Bay at Collingwood. A \$25 million public private partnership was created for the new line and pumping facilities with the senior debt provided by Pacific & Western and additional financing by the Ontario Clean Water Agency.

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Five Nations Energy Inc.

A reliable source of electricity will be provided to three northern Ontario communities by a 270 km power transmission line extension to be completed by September 2002. The \$48 million project is being developed by a native development company with the senior debt financing provided by Pacific & Western and a Canadian chartered bank in cooperation with Indian and Northern Affairs Canada.

Arviat Health Centre

This new \$5.6 million community health centre in Arviat, located on the western shore of Hudson Bay in Nunavut, is a result of a public private partnership between a local Inuit development corporation, the Government of Nunavut, and Pacific & Western as the financial partner.



8 “By providing economical, innovative financing,
we are helping our clients better serve their communities.”

Cranbrook Recreation Facility

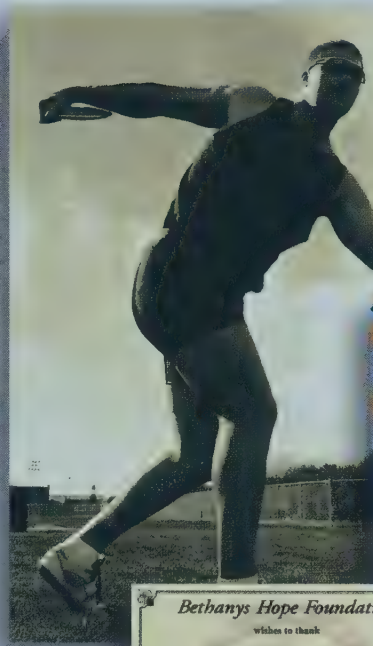
Completed in December 2000, the City of Cranbrook Multi-Purpose Recreation Centre includes a 4,500 seat arena, aquatic centre, fitness centre, restaurant, and retail concourse. Pacific & Western and a major life insurance company each provided one half of the \$22 million project cost in a public private partnership with the City and the developer/operator.



In the community

Pacific & Western donates 2% of its after-tax earnings to worthwhile causes.

Pacific & Western
proudly sponsors
Jason Tunks, who
competed in the 2000
Olympic Games.



London
Entrepreneurial
Education
Association



Pacific & Western is a proud
sponsor of the Canada Games



Management's discussion & analysis

2000 review

Introduction

Management's Discussion and Analysis provides an analysis of our operations for the years ended December 31, 2000 and 1999. The ratios and percentages are calculated in the same manner as those of the six largest Canadian banks ("big banks") to provide for comparison. Where appropriate, figures are shown on a taxable equivalent basis ("TEB"), which means an adjustment has been made to interest and other income to gross up the tax exempt income earned by an amount which, had it been taxable at the statutory rate, would result in the same after-tax net income that appears in the financial statements. An equal and offsetting adjustment is made to increase the provision for income taxes. This results in a better reflection of the pre-tax economic yield of these assets and facilitates uniform measurement and comparison of net interest income and other income.

Our Mission

To maximize the value of our common shares and total return to our shareholders over time by providing better, faster, and cheaper financial solutions for our clients in selected niche markets.



Taking advantage of new technology, our Trust company developed a system for issuing GICs exclusively through a deposit broker network. Funds and data are electronically transferred to us allowing us to process deposits much more efficiently than financial institutions that raise their deposits in the traditional way through retail branch networks. Our non-interest expenses as a percentage of assets, a recognized measure of efficiency, is now less than one-third of that averaged by the big banks. This is our competitive advantage.

Risk Management

Risk management involves the identification and ongoing assessment of the material risks that could adversely affect the achievement of our goals. We have categorized these risks into four areas. They are: credit risk, liquidity risk, interest rate risk and operational risk. Our Board of Directors approves policies, reviews existing policies, delegates limits and reviews management's assessment of risk in its major risk-taking activities. An independent internal auditor is retained to provide a continuing review of our policies and procedures to ensure that they are appropriate and effective and that adequate controls are in place in order to mitigate risk to acceptable levels. This internal auditor reports to our Chief Executive Officer and the Audit Committee of the Board of Directors.

Credit Risk

Credit is the potential for loss due to the failure of a counter-party or borrower to meet its financial obligations. Generally, we accept credit risk in market niches that are not well served by the larger financial institutions. Our emphasis is on lower risk assets which include public sector borrowers, immigrant investors in government sponsored immigrant funds and investments in other financial institutions. We have established a policy to maintain at least 75% of our total consolidated assets in these lower risk assets. Additionally, we have policies to govern and limit portfolio concentrations

by geographic area and asset category. Our Vice-President, Risk Management is independent of the business units sourcing assets and is integral to our credit approval process. We have established a risk rating policy that provides for risk rating each asset in our total asset portfolio.

Liquidity Risk

Liquidity risk is the risk of being unable to honour all our cash outflow obligations as they become due. We have established policies to ensure that our cash outflows and inflows are closely matched and that our sources of deposits are diversified over a wide geographic area. Additionally, we maintain a minimum amount of liquid assets and have standby lines of credit available. An Asset Liability Management Committee has been established to monitor liquidity risk, review compliance with our policies and discuss strategies in this area. With our emphasis on acquiring public sector and public sector related assets, our liquidity is high, comparing favourably to the big banks. Our liquidity ratio is 41.5% versus the big banks' 28.4%.

Interest Rate Risk

Interest rate risk is the risk that a movement in interest rates could negatively impact our spread, net interest income and the economic value of our assets, liabilities and shareholders' equity. In order to mitigate this risk, our policy is to maintain the matching of our cash inflows and outflows so that a 100 basis point change in rates across the entire yield curve would not have an impact greater than 6% of our total capital. We conduct gap and sensitivity analyses to measure the impact of interest rate changes on our current earnings and the economic value of our interest rate, sensitive assets, liabilities and equity.

Operational Risk

Operational risk is a loss resulting from a breakdown in systems, procedures, human error, disasters or criminal activity. We have a comprehensive internal control policy which provides clear direction to all areas of our business and employees and establishes accountability and responsibilities to identify, assess, appropriately mitigate and control operational risks. We have hired banking professionals with many years of related experience. We have developed our own systems and software and tested them thoroughly and we have a comprehensive internal inspection to ensure that operational risk is mitigated to prudent levels.

Shareholders' Equity and Notes

Shareholders' equity and notes increased by \$2.5 million or 4.9% to \$54 million at December 31, 2000. This increase resulted from the retention of earnings. Our capitalization ratios compare favourably to that of the big banks. Total capital to assets is 7.9% compared to the average of the big banks of 6.5% and total capital to risk weighted asset percentage is 16.3% versus the big banks' 11.7%. The chart to the left illustrates the growth of our shareholders' equity and notes experienced in recent years.

Assets

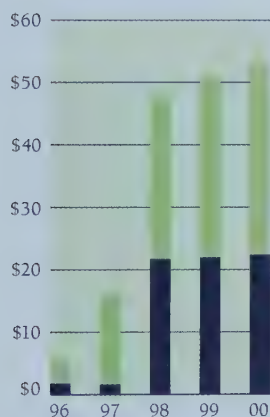
The chart to the left illustrates that as our shareholders' equity and notes increased we were able to rapidly increase our assets. Total assets are \$686 million, a 26% increase over 1999's figure. The majority of this growth was in loans to public sector entities and in bank preferred shares.

Asset Quality

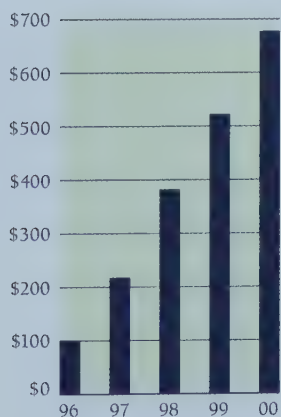
Our asset quality remains high, comparing favourably to the big banks. Gross impaired loans as a percentage of total equity and allowance for credit losses is 2.0% versus the big banks' 11.8%.

Shareholders' Equity & Notes
(millions of \$)

■ Shareholders' equity
■ Notes payable



Assets
(millions of \$)



Liquidity

With our emphasis on acquiring public sector assets, our liquidity is high, comparing favourably to the big banks. Our liquidity ratio, cash and securities to assets is 41.5% versus the big banks' 28.4%.

Deposits
(millions of \$)



Deposits

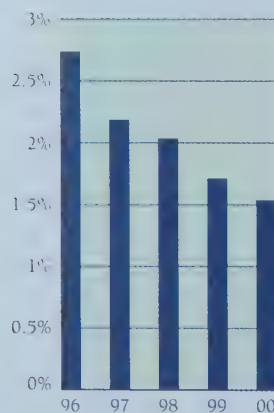
As is illustrated in the chart to the left, our deposit base has also grown rapidly. Presently, we have approximately 35,000 customers holding CDIC insured GICs that our Trust company has issued. During 2000, we launched the "eTrust Savings Account" that pays interest calculated daily. This attractive new product is allowing us to further increase our customer base.

Our ability to raise CDIC insured deposits in a very efficient manner has lowered our operating costs and provides us with a strong competitive advantage. Our clients in the public sectors, such as hospitals, schools and municipalities, demand low borrowing rates and we are finding that our competitors, because of their relatively higher operating costs, are unable to compete with us profitably. We match the maturities of our GICs to those of our financial assets in order to minimize our exposure to interest rate movements. Our management pays close attention to this important area of our business to ensure that we are not vulnerable to an adverse change in interest rates.

Spread

Spread is the difference between what we pay on our liabilities and equity and what we earn on our assets. During 2000, our spread declined from 1.73% to 1.54% on a TEB versus the big banks' average spread of 2.06% on a TEB. This decline resulted from us aggressively pricing loans to public sector entities and very competitive deposit rates in our Western Canada catchment area. Late in 2000, we began raising deposits in Ontario. We now receive a large portion of our funding from Ontario, which has significantly lowered our cost of funds and increased our spread.

Spread
(Percentage)



Net Investment Income

Net investment income is the income we earn on our loans, leases and securities less the interest we pay on our funding sources, which are primarily our deposits. Income from loans, leases and securities was up to \$45.1 million from last year's \$30.6 million. However, our spread for the year was down 0.19% to 1.54%. Very competitive market conditions in Western Canada for deposits contributed to the decline in spread, however, this trend reversed in the last quarter of 2000 when we gained access to the large Ontario market and some of the large bank-owned brokerage firms began distributing our GICs. Overall, the decline in spread during 2000 was more than compensated for by the increase in assets, resulting in net investment income increasing to \$9.5 million from \$7.9 million achieved in 1999. The chart to the right illustrates the steady growth we have experienced in our net investment income.

Non-interest Income

Non-interest income, determined on a TEB, is \$1.2 million, down from \$4.3 million achieved in 1999. During 1999, we recognized a substantial gain of \$1.4 million (TEB) on dilution of our ownership in PacWest Ventures Ltd. (PacWest). We own 44% of the outstanding common shares of PacWest. During 2000, very few PacWest shares were issued and only a negligible dilution gain was recognized. Additionally, during 1999 we recognized earnings from PacWest of \$2.3 million. During 2000, we only recognized earnings of \$652,000. PacWest is a real estate investment company and the majority of earnings is realized when its residential real estate investments mature and are sold. During 2000, very few of PacWest's investments matured and very little earnings were realized. We expect that PacWest will continue to contribute to our earnings as it has in the past with a significant increase in earnings from PacWest to be realized during fiscal 2001.



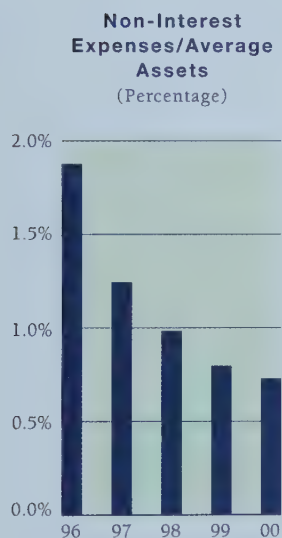
Another area where we earn non-interest income is for fiduciary services that we provide. During 2000, we entered into an agreement with the University of Western Ontario to provide fiduciary services. During 2001, we will be actively marketing these services to other Canadian universities and expect to steadily increase fees generated from this area.

Total Revenue

Total revenue, as the chart to the left illustrates, is a combination of net interest income and non-interest income, is \$10.4 million on a TEB, down \$1.5 million from 1999 due to reduced earnings from PacWest, as discussed above.

Non-interest Expenses

Non-interest expenses remained well controlled, only increasing by 13% over 1999's figure of \$3.9 million to \$4.4 million, and as a percentage of average assets, declining from 0.85% to 0.72%, less than one-third of that averaged by the big banks. On another measure of efficiency, assets to full-time employees, our \$22.8 million per employee is approximately four times better than that averaged by the big banks. We remain one of Canada's most efficient financial institutions, which has resulted from our strategy of continuously improving our business processes.



Net Earnings

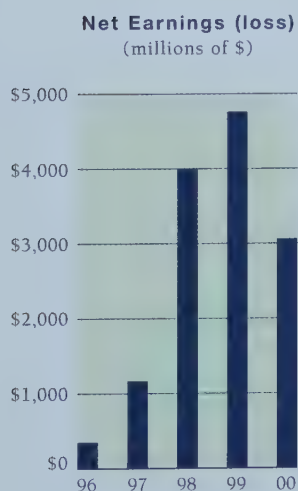
Net income was down \$1.7 million, from \$4.7 million achieved in 1999 to \$3.0 million. As mentioned earlier, this was primarily on account of a reduction in the income from our investment in PacWest. This served to depress our return on common equity which reduced from 26.2% in 1999 to 10.5% versus the big banks' average of 16.7%. It also served to reduce our earnings per common share, which reduced from \$0.09 to \$0.06 on a fully diluted basis.

Shareholder Value

Over the past five years, our shareholders have earned an annualized total return of 30.3% on their investment in Pacific & Western Credit Corp. This return compared favourably to the market return defined as the TSE 300 Composite Index® for the same period of 13.7%.

Summary

Over the years we have devoted considerable time and resources to improving our productivity. Our belief was, and continues to be, that by improving productivity we would be able to lend and invest profitably in niche markets that other less productive financial institutions would have difficulty doing. We hired banking professionals knowledgeable in these niche markets so that we would be able to provide excellent service to our clients. During 2000, we obtained full trust licences in the Yukon, Nunavut, Prince Edward Island, Ontario, and Nova Scotia. This has enabled us to further expand, diversify and lower our funding source, which is having the effect of increasing our spread and net income. With this expanded deposit catchment area and our continued emphasis on improving our business processes, we expect to further increase our productivity and return to our shareholders.



Statement of corporate governance practices

Introduction

Management and the Board of Directors recognize the importance of maintaining an effective corporate governance framework. The fundamental duty of the Board of Directors is to supervise the management of the business and its affairs. The Board also recognizes the importance of enhancing and protecting shareholder value.

Pacific & Western maintains an ongoing relationship with its shareholders, both registered and non-registered, through Computershare Trust Company of Canada and other financial intermediaries and, in particular, through its Annual Shareholders' Meeting. Shareholders may communicate with Pacific & Western by contacting our investor relations co-ordinator's office or Computershare Trust Company of Canada, our Transfer Agent and Registrar.

Pacific & Western's eTrust of Canada Inc. (the Trust Company), carries out the main business of Pacific & Western, comprising 98% of its assets. The Trust Company's Board of Directors and its committees assist in carrying out and overseeing the corporate governance for Pacific & Western Credit Corp.

General Responsibilities of the Board of Directors

The Board of Directors as a whole is responsible for governance issues. The Board of Directors performs the following functions:

- Reviews and approves the annual strategic plan and ensures that the objectives set out are realized
- Identifies and monitors risks
- Reviews and monitors compliance with the Canada Deposit Insurance Corporation's standards for capital management, foreign exchange risk management, liquidity management, internal control, real estate appraisals, securities portfolio management, interest rate risk management, and credit risk management
- Oversees the succession plan for senior management
- Oversees the financial reporting procedures and ensures that adequate internal controls are in place over accounting and financial reporting systems
- Establishes Board committees and mandates
- Receives reports, at least annually, from the Audit, Credit Review, Conduct Review, and Human Resources and Corporate Governance Committees
- Approves all policies
- Declares dividends
- Oversees communications with shareholders, including approving the annual financial statements, Annual Information Form and annual shareholders' meeting materials
- Compares and measures performance against prior years' performance, previously established plans and industry peers
- Reviews performance on a consolidated basis as well as the performance of major subsidiaries
- Ensures that an audit/inspection function monitors the effectiveness of the organizational and procedural controls
- Assesses the Board's effectiveness

In order to discharge the Board's responsibilities, certain governance issues have been delegated to committees of the Board. The Committees may engage outside consultants as they see fit, subject to the approval of the Board.

Composition of the Board

The TSE guidelines recommend that corporations have a majority of unrelated directors. Pacific & Western Credit Corp. has ten directors, nine of which are "unrelated" as defined in the TSE guidelines on corporate governance. The one related director is the President and Chief Executive Officer.

Considering its present size and complexity, it has been determined that ten is an appropriate number of directors. It is believed that the present size and composition of its board ensures that there is a broad spectrum of skills, knowledge and expertise to draw on.

Board Committees

Audit Committees

Both Pacific & Western Credit Corp. and the Trust Company have Audit Committees that oversee financial reporting procedures and ensure that adequate internal controls are in place over accounting and financial reporting systems. The Audit Committees are comprised entirely of unrelated directors and perform the following functions:

- Review and monitor compliance with the Canada Deposit Insurance Corporation's standards for capital management, foreign exchange risk management, liquidity management, and internal control
- Review the nature and scope of internal and external audit functions
- Communicate regularly with external auditors
- Meet, at least annually, with the Internal Auditor to review the Internal Auditor's annual reports
- Review the annual financial statements prior to approval by the Board of Directors.

Members (Pacific & Western Credit Corp.): Kingsley Allaster (Chair), Peter Lockyer, Arnold Hillier, Dale Creighton.

Members (Trust Company): Kingsley Allaster (Chair), Peter Lockyer, Arnold Hillier, Dale Creighton, Francis Newbould.

Human Resources and Corporate Governance Committees

Both Pacific & Western Credit Corp. and the Trust Company have Human Resources and Corporate Governance Committees. The Human Resources and Corporate Governance Committees are comprised entirely of unrelated directors and perform the following functions:

- Review and assess the duties to be performed by the Chief Executive Officer
- Review new appointments to senior management
- Review the corporation's code of conduct
- Review and make recommendations pertaining to the management succession plan for senior management
- Review and assess matters dealing with internal control, including the role of management and various organizational and procedural controls
- Review and assess the role and performance of the Board of Directors, its committees and directors
- Set criteria for the selection of directors, recommend Board candidates for election as directors, and examine and recommend the level and nature of directors' fees
- Review and, where appropriate, refer matters that should be brought to the attention of the Board of Directors or any other committee.

Members (Pacific & Western Credit Corp. and the Trust Company): David Bratton (Chair), Peter Lockyer, Al Mikalachki, Douglas Gough.

Credit Review Committee

The Credit Review Committee is comprised entirely of unrelated directors and performs the following functions:

- Ensures policies exist to maintain credit, liquidity and interest rate risk at acceptable levels
- Reviews and monitors compliance with the Canada Deposit Insurance Corporation's standards for real estate appraisals, securities portfolio management, interest rate risk management, and credit risk management
- Concurs with credits exceeding the levels delegated to management, prior to commitment.

Members (Trust Company): Terrence Bedard (Chair), Peter Lockyer, Kingsley Allaster, Douglas Gough, Arnold Hillier.

Conduct Review Committee

The Conduct Review Committee is comprised entirely of unrelated directors and performs the following functions:

- Reviews and assesses related party transactions
- Deals with matters of conflict of interest
- Deals with matters of harassment in the workplace
- Deals with matters regarding customer complaints, should any arise.

Members (Trust Company): Al Mikalachki (Chair), Peter Lockyer, David Bratton, John Evans.



Corporate Governance Achievements

Pacific & Western Credit Corp. has continued to review and improve its corporate governance. The following are corporate governance achievements in 2000:

- Sought out individuals to be considered for board membership who possess expertise, experience, integrity and an active commitment to the company
- 90% of the Board of Directors is comprised of unrelated directors; the only related director being the President and Chief Executive Officer
- Committees of the board are comprised entirely of unrelated directors
- Developed and implemented a performance assessment process of the board, committees of the board and individual directors
- Reviewed and revised the succession plan for senior management
- Reviewed and revised the director compensation package.

Management's responsibility for financial reporting

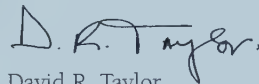
The consolidated financial statements of Pacific & Western Credit Corp. were prepared by management, which is responsible for the integrity and fairness of the data presented, including amounts which must of necessity be based on estimates and judgements. The consolidated financial statements were prepared in accordance with Canadian generally accepted accounting principles. Financial information appearing throughout this Annual Report is consistent with the consolidated financial statements.

In discharging its responsibility for the integrity and fairness of the consolidated financial statements and for the accounting systems from which they are derived, management maintains the necessary system of internal controls designed to provide assurance that transactions are authorized, assets are safeguarded and proper records maintained.

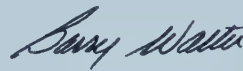
The board of directors oversees management's responsibilities for financial reporting through an Audit Committee. The Audit Committee reviews the consolidated financial statements of the Corporation and recommends them to the board for approval. Other key responsibilities of the Audit Committee include reviewing the

Corporation's existing internal control procedures and advising the directors on auditing matters and financial reporting issues.

KPMG LLP, independent auditors appointed by the shareholders of the Corporation upon the recommendation of the Audit Committee, have examined the consolidated financial statements and their report follows. The shareholders' auditors have full and unrestricted access to the Audit Committee to discuss their audit and related findings as to the integrity of the Corporation's financial reporting and the adequacy of the system of internal controls.



David R. Taylor
President & Chief Executive Officer



Barry D. Walter, C.A.
Chief Financial Officer

March 1, 2001

Auditors' report to the shareholders

We have audited the consolidated balance sheets of Pacific & Western Credit Corp. as at December 31, 2000 and 1999 and the consolidated statements of earnings, retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2000 and 1999 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



Chartered Accountants
Saskatoon, Canada

March 1, 2001

Consolidated balance sheets

December 31, 2000 and 1999

(thousands of dollars)	2000	1999
Assets		
Cash resources	\$ 116,126	\$ 53,064
Securities (note 2)	168,808	155,792
Public sector financing (note 3(a))	153,495	124,030
Mortgages and loans (note 3(b))	228,349	198,162
Other assets (note 4)	19,175	12,900
	\$ 685,953	\$ 543,948
Liabilities and Shareholders' Equity		
Deposits (note 5)	\$ 629,002	\$ 488,919
Notes payable (note 6)	22,686	22,689
Other liabilities	2,901	3,520
	654,589	515,128
Shareholders' equity:		
Share capital and warrants (note 7)	23,871	23,895
Retained earnings	7,493	4,925
	31,364	28,820
	\$ 685,953	\$ 543,948

See accompanying notes to consolidated financial statements.

On behalf of the Board:


Director


Director

Consolidated statements of earnings

Years ended December 31, 2000 and 1999

(thousands of dollars)	2000	1999
Interest income on loans and leases	\$ 25,841	\$ 18,546
Interest and income from securities	14,136	9,406
Loan fee income	1,000	868
	40,977	28,820
Interest expense	35,607	22,635
Net interest income before provision for loan losses	5,370	6,185
Provision for loan losses (note 3(b))	346	321
Net interest income	5,024	5,864
Equity earnings	358	1,268
Gain on issue of shares	—	750
Other income	533	582
	5,915	8,464
Non-interest expenses:		
Salaries and benefits	2,167	1,709
General and administrative	1,866	1,852
Premises and equipment	408	353
	4,441	3,914
Earnings before income taxes	1,474	4,550
Income tax recovery (note 8)	1,566	168
Net earnings	\$ 3,040	\$ 4,718
Basic earnings per share (note 9)	\$ 0.06	\$ 0.10
Fully diluted earnings per share (note 9)	0.06	0.09

See accompanying notes to consolidated financial statements.

Consolidated statements of retained earnings

Years ended December 31, 2000 and 1999

(thousands of dollars)	2000	1999
Retained earnings, beginning of year	\$ 4,925	\$ 1,051
Net earnings	3,040	4,718
Dividends paid on preferred shares	(355)	(722)
Dividends paid by associated corporation on preferred shares	(117)	(122)
Retained earnings, end of year	\$ 7,493	\$ 4,925

See accompanying notes to consolidated financial statements.

Consolidated statements of cash flows

Years ended December 31, 2000 and 1999

(thousands of dollars)	2000	1999
Cash provided by (used in):		
Operations:		
Net earnings	\$ 3,040	\$ 4,718
Items not involving cash:		
Provision for loan losses	346	321
Equity earnings	(358)	(1,268)
Gain on issue of shares	—	(750)
Future income tax recovery	(1,617)	(379)
Change in other assets and liabilities	(5,036)	(2,391)
	(3,625)	251
Investing:		
Securities	(13,016)	(68,111)
Public sector financing	(29,465)	(45,496)
Mortgages and loans	(30,533)	(76,491)
Investment in associated corporation	—	(1,440)
	(73,014)	(191,538)
Financing:		
Deposits	140,083	174,921
Issuance of common shares	22	553
Redemption of preferred shares	(49)	—
Dividends paid on preferred shares	(355)	(722)
	139,701	174,752
Increase (decrease) in cash resources	63,062	(16,535)
Cash resources, beginning of year	53,064	69,599
Cash resources, end of year	\$ 116,126	\$ 53,064
Supplementary cash flow information:		
Interest paid during the year	\$ 30,122	\$ 19,180
Income taxes paid during the year	161	336

See accompanying notes to consolidated financial statements.

Notes to consolidated financial statements

Years ended December 31, 2000 and 1999

Pacific & Western Credit Corp. (the "Corporation"), through its subsidiaries is involved in the business of providing financial services to public and private sector entities. Pacific & Western's eTrust of Canada Inc. (formerly Pacific & Western Trust Corporation), its principal subsidiary, is licensed as a trust company throughout Canada with the exception of the provinces of New Brunswick, Newfoundland and Quebec. The Corporation's deposit operations are centralized in Saskatoon, Saskatchewan, while its lending operations are centered in London, Ontario.

1. Significant accounting policies:

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The significant accounting principles used in the preparation of these consolidated financial statements are summarized below:

(a) Investments:

These consolidated financial statements include the accounts of the following subsidiary companies: 100% of the common shares of Pacific & Western's eTrust of Canada Inc. ("PWET"), Pacific & Western Public Sector Financing Corp. and PW Financial Inc.

All significant intercompany accounts and transactions have been eliminated.

Investments in which the Corporation exercises significant influence are accounted for using the equity method. Under the equity method, the original cost of the shares is adjusted for the Corporation's share of post-acquisition earnings of the associated corporation less dividends received.

(b) Cash resources:

Cash resources include government treasury bills and deposits with Canadian chartered banks available within ninety days, net of cheques and other items in transit.

(c) Securities:

The Corporation holds securities for investment purposes with the original intention of holding the securities to maturity or until market conditions render alternative investments more attractive. Debt and fixed term preferred securities are stated at amortized cost. The amortization of premiums or discounts is included in income over the period to maturity. Any impairment in their underlying value other than a temporary impairment is recorded as a charge to income in the year in which it occurs.

Gains and losses on disposal of securities are included in income in the year realized.

(d) Financial products and services:

Financial products and services ("loans") offered by the Corporation principally include public sector financing and residential first mortgages and government sponsored immigrant investment loans. Public sector financing is provided to entities such as hospitals, school boards, municipalities, provincial and federal governments and related agencies.

Loans are stated at cost less an allowance for losses.

Interest income on loans is recorded on the accrual basis until such time as the loan is classified as impaired. An impaired loan is a loan where there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest. An uninsured loan is classified as impaired when scheduled payments are more than ninety days in arrears. An insured loan is classified as impaired when scheduled payments are more than one hundred and eighty days in arrears. When a loan is classified as impaired, accrual of interest on the loan ceases, the amount of any accrued and unpaid interest is reversed and charged against income at the time and the carrying amount of the loan is reduced to its estimated realizable amount. Estimated realizable amounts are measured by discounting the expected future cash flows, if they can be reasonably estimated, using the effective interest rate inherent in the loan. When the amounts and timing of cash flows cannot be reasonably estimated, the carrying amount of the loan is reduced to its estimated net realizable value based on either i) the fair value of any security underlying the loans, net of expected costs of realization, or ii) observable market prices for the loans. As long as the loan remains classified as impaired, interest will be recognized only when all charges of loan impairment have been reversed.

Loan fees in excess of estimated administrative costs are recognized in income over the appropriate lending or commitment period.

Real estate acquired as settlement of loans is stated at cost less an allowance for losses.

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(e) Allowance for loan losses:

The allowance for loan losses consists of specific provisions, being provisions against specific credit exposure determined on an item-by-item basis and a general provision for doubtful loans, being a provision of a prudent nature which cannot be determined on an item-by-item basis but which in management's opinion may be required in order to absorb future credit losses.

The provision for loan losses is presented net of recoveries of provisions recorded in prior years.

(f) Deferred financing charges:

Deferred financing charges related to notes payable are being amortized on a straight-line basis over the term of the related debt. The amortization of these charges is included with interest expense in the Consolidated Statements of Earnings.

(g) Income taxes:

The Corporation follows the asset/liability method of accounting for income taxes.

(h) Financial instruments:

The amounts recorded in the balance sheet for cash resources and other liabilities approximate fair value due to the short term maturity of these instruments. Fair values for interest bearing financial assets and liabilities are disclosed elsewhere in the notes to the financial statements.

Interest rate swap agreements entered into for the purpose of limiting exposure to changes in interest rates are accounted for on the accrual basis. Interest rate swaps are transactions in which two parties exchange interest flows on specified notional amounts for a predetermined period based on agreed-upon fixed and floating rates. Notional amounts are not exchanged. Gains and losses related to the termination of interest rate swaps are included in net earnings in the period in which the contract is terminated.

(i) Risk management:

Credit risk

The Corporation has established a comprehensive Credit Risk Management Program to manage its credit risk. In conjunction with its niche lending strategy, the Program consists of approval procedures and limits on: loan amounts, geographic concentration, loans to any one entity, associated groups and each of its asset categories. Lending practices are monitored on an ongoing basis to ensure they comply with the Program.

Interest rate risk

The operations of the Corporation are subject to risk of interest rate fluctuations to the extent that cash flows from interest-earning assets and interest-bearing liabilities differ. The Corporation employs a number of methods, including interest rate sensitivity gap and duration analysis to measure the risks generated by interest rate sensitive assets and liabilities and to monitor compliance with limits set by corporate policy.

2. Securities:

(a) Portfolio analysis:

(thousands of dollars)	2000	1999
Securities issued or guaranteed by:		
Canadian federal government	\$ 34,127	\$ 30,112
Canadian provinces	23,878	17,115
Canadian municipalities	4,000	4,000
Government insured mortgage-backed securities	15,473	7,430
Preferred shares of financial institutions	83,919	76,131
Other investments in financial institutions	4,380	18,510
	165,777	153,298
Accrued interest	3,031	2,494
	\$ 168,808	\$ 155,792

(b) Maturities and yields:

(thousands of dollars)					
Maturity dates	2000	Yield	1999	Yield	
Within 3 months	\$ 26,721	5.59%	\$ 35,082	5.13%	
3 months - 1 year	14,879	6.46%	15,712	5.82%	
1 year - 2 years	39,652	5.55%	2,176	4.82%	
2 years - 5 years	47,554	5.59%	37,865	5.65%	
Over 5 years	36,971	5.63%	62,463	5.92%	
	\$ 165,777	5.67%	\$ 153,298	5.65%	

Average effective yields are based on book values and contractual interest or stated dividend rates adjusted for amortization of premiums and discounts. The market value of these securities at December 31, 2000, was \$163,761,500 (1999 - \$146,945,000).

3. Financial products and services:

(a) Public sector financing:

(thousands of dollars)		2000	1999
Public sector loans	\$	66,836	\$ 56,664
Public sector equipment leases		42,285	36,999
Loans secured by public sector leases		31,516	16,616
Municipal debentures		11,519	12,724
		152,156	123,003
Accrued interest		1,339	1,027
	\$	153,495	\$ 124,030

At December 31, 2000, public sector financing had a market value based on discounted cash flows using market rates of \$156,012,000 (1999 - \$122,046,000).

(b) Mortgages and loans:

(thousands of dollars)	2000	1999
Residential mortgages:		
Insured	\$ 40,292	\$ 29,491
Uninsured	25,440	31,201
Development	40,254	34,336
Government sponsored immigrant investment loans	102,030	82,093
Commercial mortgages and loans	14,946	15,708
Other	553	1,844
	223,515	194,673
Real estate	4,596	3,591
	228,111	198,264
Allowance for losses:		
General	(579)	(612)
Specific loans	(206)	(308)
Real estate	(824)	(424)
	226,502	196,920
Accrued interest	1,847	1,242
	\$ 228,349	\$ 198,162

At December 31, 2000, mortgages and loans had a market value based on net discounted cash flows using market interest rates for loans and appraised values for real estate of \$231,200,000 (1999 - \$196,200,000).

The allowance for loan losses results from the following:

(thousands of dollars)	2000	1999
Balance, beginning of year	\$ 1,344	\$ 1,030
Provision for loan losses	346	321
Provisions realized on settlement of loans	(81)	(7)
Balance, end of year	\$ 1,609	\$ 1,344

(c) Maturities and yields:

The loan and public sector financing portfolios mature as follows:

(thousands of dollars)				
Maturity dates	2000	Yield	1999	Yield
Floating	\$ 30,558	7.43%	\$ 33,678	6.60%
Within 3 months	24,350	8.63%	19,150	8.59%
3 months - 1 year	33,059	9.44%	32,433	7.45%
1 year - 2 years	24,270	7.38%	8,810	6.88%
2 years - 5 years	175,477	7.20%	157,193	6.97%
Over 5 years	87,957	6.67%	66,412	6.67%
	\$ 375,671	7.40%	\$ 317,676	7.01%

Average effective yields are based on book values and contractual interest rates, adjusted for the amortization of any deferred income.

(d) Impaired loans:

At December 31, 2000, impaired loans totaled \$1,101,000 (1999 - \$1,061,000).

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4. Other assets:

(thousands of dollars)	2000	1999
Investment in PacWest Ventures Ltd.	\$ 8,151	\$ 7,910
Prepaid expenses and other	5,876	3,412
Investment in development project	2,075	—
Net future income tax asset	1,996	379
Deferred financing charges	1,077	1,199
	\$ 19,175	\$ 12,900

The Corporation owns a 44% interest (1999 - 46%) in PacWest Ventures Ltd. The common shares of PacWest Ventures Ltd. are listed on the Toronto Stock Exchange. The market value of this investment based on quoted market prices at December 31, 2000 was \$7,990,000 (1999 - \$15,500,000).

5. Deposits:

(thousands of dollars)		Effective		Effective
Maturity dates	2000	Rate	1999	Rate
Within 3 months	\$ 105,026	5.68%	\$ 85,273	5.03%
3 months - 1 year	258,465	5.94%	217,275	5.31%
1 year - 2 years	108,742	5.97%	51,706	5.58%
2 years - 5 years	140,263	6.08%	123,229	5.78%
	612,496	5.93%	477,483	5.41%
Accrued interest	16,506		11,436	
	\$ 629,002		\$ 488,919	

Average effective rates are based on book values and contractual interest rates. At December 31, 2000, the fair value of the Corporation's deposits, calculated based on discounted cash flows using market interest rates, was \$611,200,000 (1999 - \$472,384,000).

6. Notes payable:

(thousands of dollars)	2000	1999
9.0% Ten Year Term Series C Notes, convertible into common shares, unsecured.	\$ 22,684	\$ 22,687
9.5% Ten Year Term Series A Notes, exchangeable into common shares. The Series A Notes are secured by a pledge of subordinated notes of equal value issued by PWET to the Corporation.	2	2
	\$ 22,686	\$ 22,689

The Series A notes are exchangeable on the basis of one common share for every \$1.20 exchanged until August, 2001.

The Series C notes were issued on October 16, 1998, mature in 2008 and are convertible on the basis of one share for every \$2.50 converted during the first three years after issuance and one share for every \$5.00 converted during the next two years.

During the year, interest paid on these notes totaled \$2,041,750 (1999 - \$2,042,000). At December 31, 2000, the book value of the notes payable approximated the fair value, calculated based on discounted cash flows using market interest rates.

7. Share capital and warrants:

(a) Authorized:

Common shares:

The Corporation is authorized to issue an unlimited number of common shares.

Series One Class A Preferred shares:

The Corporation is authorized to issue 600,000 Series One Class A Preferred shares of which none are issued. These shares are entitled to cumulative dividends of 7% per annum and are redeemable and retractable at \$11.00 per share.

Series Two Class A Preferred shares:

The Corporation is authorized to issue 3,500,000 Series Two Class A Preferred shares. These shares were entitled to cumulative dividends at the rate of 3.0% per annum, redeemable for \$2.00 per share upon certain conditions and convertible into three common shares. On September 8, 2000, these preferred shares were redeemed and ceased to be entitled to these rights.

Series Three Class A Preferred shares:

The Corporation is authorized to issue 3,500,000 Series Three Class A Preferred shares. These shares were entitled to cumulative dividends at the rate of 8.5% per annum, redeemable at \$3.00 per share under certain conditions and convertible into three common shares. On September 8, 2000, these preferred shares were redeemed and ceased to be entitled to these rights.

(b) Issued and outstanding:

(thousands of dollars)	2000		1999	
	Shares	Amount	Shares	Amount
<i>Common shares:</i>				
Outstanding, beginning of year	38,996,556	\$ 14,757	36,816,643	\$ 13,452
Shares issued on exercise of options	17,000	22	1,083,438	553
Shares issued on exchange of notes	1,200	3	800	2
Shares issued on conversion of preferred shares	13,173,984	10,995	1,095,675	750
Outstanding, end of year	52,188,740	25,777	38,996,556	14,757
<i>Series Two Class A Preferred shares:</i>				
Outstanding, beginning of year	2,106,636	4,140	2,452,436	4,832
Conversion to common shares	(2,106,261)	(4,139)	(345,800)	(692)
Redemption of shares	(375)	(1)	—	—
Outstanding, end of year	—	—	2,106,636	4,140
<i>Series Three Class A Preferred shares:</i>				
Outstanding, beginning of year	2,301,169	6,904	2,320,594	6,962
Conversion to common shares	(2,285,069)	(6,856)	(19,425)	(58)
Redemption of shares	(16,100)	(48)	—	—
Outstanding, end of year	—	—	2,301,169	6,904
Less share issue costs		(1,906)		(1,906)
Total share capital		\$ 23,871		\$ 23,895

(c) Options:

The Corporation provides compensation for directors, directors of subsidiary companies and employees in the form of stock options which are exercisable within ten years of issue. Options granted prior to September, 2000 vested immediately and options granted after September, 2000 vest over a two year period. The Corporation does not record an expense when options are granted since the exercise price of the option is set at the closing market price of the Corporation's common shares on the day preceding the date on which the option is granted. When options are exercised, the proceeds are credited to common shares.

At December 31, 2000, 5,058,000 common shares have been reserved for stock options as follows:

Expiry date	Options outstanding	Options exercisable	Price
September 15, 2007	734,000	734,000	\$ 1.28
March 12, 2008	749,000	749,000	1.51
October 14, 2008	14,000	14,000	1.80
December 9, 2008	1,137,000	1,137,000	2.05
January 4, 2010	104,500	104,500	3.20
March 10, 2010	500	500	3.50
September 18, 2010	2,319,000	—	2.30

Stock options transactions during 2000 and 1999 are as follows:

	2000		1999	
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
Outstanding, beginning of year	2,661,000	\$ 1.68	3,749,438	\$ 1.34
Granted	2,424,000	2.34	—	—
Exercised	17,000	1.28	1,083,438	0.51
Cancelled	10,000	1.28	5,000	2.05
Outstanding end of year	5,058,000	\$ 2.00	2,661,000	\$ 1.68

8. Income taxes:

Income taxes, including both the current and future portions, varies from the amounts that would be computed by applying the statutory federal and provincial tax rates aggregating 44% (1999 - 45%) to income before taxes. Income taxes have been computed as follows:

(thousands of dollars)	2000	1999
Tax at basic rates	\$ 642	\$ 2,048
Increase (decrease) in taxes resulting from:		
Non-taxable income from securities	(2,300)	(1,071)
Non-taxable income from investments	(147)	(908)
Other permanent differences	151	9
Benefit of unrecorded loss carry-forwards and other deductions	—	(391)
Federal large corporations tax	88	105
Corporate minimum tax	—	40
Income tax recovery	\$ (1,566)	\$ (168)

Income tax recovery is comprised of:

(thousands of dollars)	2000	1999
Current income tax provision	\$ 51	\$ 211
Future income tax recovery	(1,617)	(379)
	\$ (1,566)	\$ (168)

The components of future income tax balances are as follows:

(thousands of dollars)	2000	1999
Future income tax assets:		
Allowance for loan losses	\$ 595	\$ 635
Loss carry-forwards	9,016	6,899
Other	231	757
	9,842	8,291
Future income tax liabilities:		
Deposit commissions	1,725	1,314
Securities valuation	2,515	5,612
Other	1,066	523
	5,306	7,449
	4,536	842
Statutory rate	44%	45%
Net future income tax asset	\$ 1996	\$ 379

9. Earnings per share:

The calculation of basic earnings per share has been calculated after deducting dividends paid on preferred shares of \$472,000 (1999 - \$844,000). The weighted average number of common shares outstanding was 43,200,000 (1999 - 38,300,000).

10. Interest rate risk:

Interest rate sensitivity

The Corporation is exposed to interest rate risk as a consequence of the mismatch, or gap, between the assets, liabilities and off balance-sheet instruments scheduled to mature or reset on particular dates. The gaps which existed at December 31 are as follows:

(thousands of dollars) at earlier of maturity or reset date of interest rate sensitive instruments

	Floating rate	Within 3 months	3 months to 1 year	1 year to 2 years	2 years to 5 years	Over 5 years	Non-interest rate sensitive	Total
Assets								
Cash resources	\$ 7,053	\$ 109,073	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 116,126
Effective yield	5.50%	5.64%	—%	—%	—%	—%		
Securities	5,173	47,779	14,879	13,421	47,554	36,971	3,031	168,808
Effective yield	5.40%	5.63%	6.46%	5.41%	5.59%	5.63%		
Loans	30,558	24,350	33,059	24,270	175,477	87,957	6,173	381,844
Effective yield	7.43%	8.63%	9.44%	7.38%	7.20%	6.67%		
Other	—	—	—	—	—	—	19,175	19,175
Total assets	\$ 42,784	\$ 181,202	\$ 47,938	\$ 37,691	\$ 223,031	\$ 124,928	\$ 28,379	\$ 685,953
Liabilities and Shareholder's Equity								
Deposits	\$ —	\$ 105,026	\$ 258,465	\$ 108,742	\$ 140,263	\$ —	\$ 16,506	\$ 629,002
Effective yield	—%	5.68%	5.94%	5.97%	6.08%	—%		
Notes payable	—	—	—	—	—	22,686	—	22,686
Effective yield	—%	—%	—%	—%	—%	9.00%		
Other	—	—	—	—	—	—	34,265	34,265
Total liabilities and shareholders' equity	\$ —	\$ 105,026	\$ 258,465	\$ 108,742	\$ 140,263	\$ 22,686	\$ 50,771	\$ 685,953
On balance sheet gap	\$ 42,784	\$ 76,176	\$(210,527)	\$ (71,051)	\$ 82,768	\$ 102,242	\$ (22,392)	\$ —
Off balance sheet financial instruments								
Derivatives used for asset/liability management purposes	—	226,000	—	(15,000)	(191,000)	(20,000)	—	—
Effective yield	—%	5.76%	—%	5.93%	6.25%	6.17%		
Total 2000 gap	\$ 42,784	\$ 302,176	\$(210,527)	\$(86,051)	\$(108,232)	\$ 82,242	\$ (22,392)	\$ —
Total cumulative 2000 gap	\$ 42,784	\$ 344,960	\$ 134,433	\$ 48,382	\$ (59,850)	\$ 22,392	\$ —	\$ —
Total 1999 gap	\$ 76,806	\$ 41,152	\$(169,130)	\$ (60,720)	\$ 34,800	\$ 100,958	\$ (23,866)	\$ —
Total cumulative 1999 gap	\$ 76,806	\$ 117,958	\$(51,172)	\$(111,892)	\$ (77,092)	\$ 23,866	\$ —	\$ —

Interest rate swaps

As at December 31, 2000, the Corporation has outstanding contracts to swap floating for fixed interest rates with a notional amount totaling \$226 million terminating between the years 2001 and 2008. At December 31, 2000, the market value inherent in the contracts was \$5,209,000 under book value.

11. Related party transactions:

During the year, the Corporation earned management fees of \$285,000 (1999 - \$505,000) from PacWest Ventures Ltd.

12. Assets under administration:

At December 31, 2000, the Corporation has \$51,507,000 (1999 - \$40,060,000) of assets under administration. These assets are maintained separately from the Corporation's assets and are not included in the consolidated balance sheets.

Directors and officers

Pacific & Western Credit Corp. and Pacific & Western's eTrust of Canada Inc.

Peter R. Lockyer, LL.B., Q.C.

Chairman of the Board and Director Pacific & Western's eTrust of Canada Inc. and Pacific & Western Credit Corp.

Partner, Lockyer Spence Barristers and Solicitors

David R. Taylor, B.Sc. (Hons.), M.B.A., F.I.C.B.

Director, President and Chief Executive Officer
Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.

Jonathan F.P. Taylor, B.B.A.

Senior Vice-President
Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.

Bruce M. Schruder, B.B.A. (Hons.), F.I.C.B.

Vice-President
Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.

Barry D. Walter, B.Comm., C.A.

Chief Financial Officer
Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.

John W. Asma, B.A. (Hons.), M.B.A.

Vice-President and Treasurer
Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp. Inc.

Barbara E.M. Hale, LL.B.

Vice-President and Corporate Secretary
Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.

Richard Jankura, B.B.A. (Hons.), C.A.

Senior Vice-President
Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.

H. Keith Munro

Vice-President, Risk Management
Pacific & Western's eTrust of Canada Inc.

Kingsley G. Allaster, B.A. (Hons.), C.A.,

Director - Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.

*Chief Operating Officer, Venture Capital London Inc.,
President, Kingsley G. Allaster & Associates*

Terrence L. Bedard, P.Eng., CFA

Director - Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.

Retired

David A. Bratton, B.A. (Hons.), M.B.A., C.M.C.

Director - Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.

President, Bratton Consulting Inc.

Dale E. Creighton, B.A., CLU., C.H.F.C., LLIF

Director - Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.

Retired

John L. Evans, M.B.A., Ph.D.

Director - Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.

*Principal, Financial Services Industry Monitor and
EPS — Evans Strategic Policy Inc.,*

Vice-Chairman, Ross Dixon Holdings Limited

Douglas W. Gough

Director - Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.

*Partner, Mintz & Partners, Financial Services,
North York, Ontario*

Arnold E. Hillier, B.Comm., C.A.

Director - Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.

*Vice-Chairman, Chief Executive Officer and
Chief Financial Officer, Claude Resources Inc.*

Alexander Mikalachki, B.Comm., M.B.A., Ph.D.

Director - Pacific & Western's eTrust of Canada Inc. and
Pacific & Western Credit Corp.

*Professor Emeritus, Richard Ivey School of Business,
University of Western Ontario*

Francis J.C. Newbould, B.A., LL.B., Q.C.

Director - Pacific & Western's eTrust of Canada Inc.
Partner, Borden Ladner Gervais LLP

Corporate information

Solicitors

MacPherson Leslie & Tyerman
1500 — 410 22nd Street East
Saskatoon, Saskatchewan
S7K 5T6

Lockyer Spence

Suite 600, 465 Richmond Street
London, Ontario
N6A 5P4

Auditors

KPMG LLP

600 — 128 4th Avenue South
Saskatoon, Saskatchewan
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Bank

Canadian Imperial Bank of Commerce
201 — 21st Street East, Main Branch
Saskatoon, Saskatchewan
S7K 0B8

Transfer Agent

Main Agent

Computershare Trust Company of Canada
100 University Avenue
Toronto, Ontario
M5J 2Y1

Co-Agent

Computershare Trust Company of Canada
100 University Avenue
Toronto, Ontario
M5J 2Y1

Stock Exchange Listing

The Toronto Stock Exchange
Trading Symbol: PWC

Corporate Offices

Pacific & Western Credit Corp.

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Annual Meeting

June 29, 2001 at 11:00 a.m. (Eastern Standard Time)

The London Club

177 Queens Avenue

London, Ontario

